PHILIP MORRIS U.S.A. INTEROFFICE CORRESPONDENCE
120 PARK AVENUE, NEW YORK, N.Y. 10017

TO: Renee V.H. Simons **DATE:** June 18, 1987

FROM: Susan Reich

SUBJECT: Price/Value Merchandising Presentation: Key Points

The following summarizes the key points from the Market Research Department presentation on P/V Merchandising. Data are based on two store sweeps which occurred during the 4th Quarter '86 and the end of the 1st Quarter '87.

° Price/Value brands achieved a 9 SOM in 1986

- 40% of P/V category are branded generics (i.e., Cambridge, Doral)
- Branded generics are responsible for all P/V category growth.

° There is a high correlation between low P/V SPI's and low share growth.

° Of all P/V brands, Century has exhibited the sharpest decline in in-store on-carton couponing. RJR has shifted Century couponing efforts to media-delivered offers.

° Based on the store sweeps, auditors report that Cambridge is selling at 18¢ per pack more than generics. (There is still obvious retail confusion in P/V price points.)

The most important fact uncovered in this presentation is that the definition of Self-service (SS) and Non-Self Service (NSS) outlets takes on a new dimension is the P/V merchandising environment. For example:

° SS Stores account for 70% of all stores, although only 50% of P/V business.

° More significant is the converse, i.e., that the 30% of stores which are NSS account for 50% of P/V volume.

Unfortunately, RJR has capitalized on this phenomenon, having placed 15,000 P/V centers to PM's 2,000 in NSS outlets. (In all outlets, RJR has 37,000 P/V centers vs. PM's 16,000.) The general consensus is that PM may already be closed out of placing P/V racks in NSS outlets.

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Source: https://www.industrydocuments.ucsf.edu/docs/hfcy0004

Renee Simons June 18, 1987

Market Research will represent this analysis to the PM Sales Department the week of 6/22. Perhaps you'd like to attend, although this presentation is not relevant to full-price brand merchandising.

If you have any questions, please let me know.

/pd

cc: A. Lerner

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